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Supreme Court, U.S.
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No. 04-1346

In The Supreme Court of the United States

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS,

Petitioner,

v.

FUJITSU LIMITED AND FUJITSU HITACHI PLASMA DISPLAY LIMITED,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF FOR RESPONDENTS IN OPPOSITION

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QUESTION PRESENTED

Whether, in an action initiated by a state university in federal court, the collateral order doctrine grants the Federal Circuit appellate jurisdiction to review a district court's order provisionally denying the university's partial motion to dismiss, on Eleventh Amendment immunity grounds, some of the counterclaims filed against the university, where the district court ruled that pertinent legal arguments were raised late by the university and expressly noted that it may be necessary to revisit the question of the university's immunity, in anticipation of related legal challenges the university indicated it would seek to make.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Respondent Fujitsu Limited has no parent corporation and no publicly held company owns 10% or more of its stock. Fuji Electric Holdings Co., Ltd., a publicly held company listed on the Tokyo Stock Exchange, however, controls the voting rights for approximately 11.33% of the outstanding stock of respondent Fujitsu Limited: Fuji Electric Holdings itself controls 4.57%, and stock held in trust by Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust, which constitutes 6.74% of voting rights, is voted in accordance with the directions of Fuji Electric Holdings Co., Ltd.

Respondent Fujitsu Limited, a publicly held company listed on the Tokyo Stock Exchange, owns 19.9% of the outstanding stock of respondent Fujitsu Hitachi Plasma Display Limited. Hitachi Limited, also a publicly held company listed on the Tokyo Stock Exchange, owns 80.1% of the outstanding stock of respondent Fujitsu Hitachi Plasma Display Limited.

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STATEMENT

1. Petitioner, the Board of Trustees of the University of Illinois, and its patent licensing agent, Competitive Technologies, Inc. ("CTI"), filed the instant suit for patent infringement on December 21, 2000 in the United States District Court for the Central District of Illinois. They brought suit against respondents Fujitsu Limited and Fujitsu Hitachi Plasma Display Limited,[1] and three other Fujitsu entities, alleging infringement of two patents assigned to petitioner, U.S. Patent Nos. 4,866,349 (the '349 patent) and 5,081,400 (the '400 patent).[2] At the same time, petitioner and CTI also filed a complaint in the United States International Trade Commission (the "ITC") on the same two patents.

On respondents' motion, the district court stayed the action pending the outcome of the ITC investigation. The parties conducted extensive discovery in the ITC over a period of six months. Part of that discovery revealed that petitioner and CTI had committed tortious acts against respondents in the course of their efforts to enforce the patents, which led respondents to file an amended pleading in the ITC asserting the defense of unclean hands. On the due date for ITC-ordered production of documents by certain third parties relating to the allegation of unclean

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[1] Respondent Fujitsu Hitachi Plasma Display Limited was added as a defendant in petitioner's and CTI's amended complaint dated March 27, 2001.

[2] Although petitioner and CTI sued five Fujitsu entities, only two of those entities, respondents Fujitsu Limited and Fujitsu Hitachi Plasma Display Limited, asserted the counterclaims that are at issue in petitioner's underlying appeal. The remaining three Fujitsu entities participated with respondents in the defense against petitioner's patent infringement claims described below.

hands, petitioner and CTI abruptly moved to withdraw their ITC complaint. The ITC granted the motion and terminated the proceeding with prejudice on July 10, 2001.

2. On September 25, 2001, on petitioner's motion, the district court lifted its stay in light of the termination of the ITC proceeding. Respondents moved to dismiss petitioner as a plaintiff in the suit for lack of standing to sue on the patents on the ground that petitioner had transferred all meaningful rights to the patents to CTI. Respondents also moved to transfer the case to the United States District Court for the Northern District of California. The court granted the transfer based in part on the existence of questions surrounding petitioner's standing to sue, finding that petitioner's choice of its home forum was entitled to little deference in light of the fact that petitioner's involvement in the lawsuit appeared to be peripheral to that of its co-plaintiff, CTI.

On June 11, 2002, respondents filed their answer, asserting thirteen affirmative defenses of, *inter alia*, invalidity, non-infringement, unclean hands, patent misuse, and inequitable conduct. They also asserted thirteen counterclaims against CTI, including for invalidity, non-infringement, and for patent misuse (counterclaims 1-5), and for breach of confidentiality, trade secret misappropriation, fraudulent and negligent misrepresentation, unfair competition, and abuse of process (counterclaims 6-13). The unclean hands, patent misuse, and inequitable conduct defenses, counterclaim 5 for patent misuse, and counterclaims 6-13 were based on the facts underlying the unclean hands defense that was asserted in the ITC proceeding. Respondents did not assert the counterclaims against petitioner at that time because they did not believe that petitioner belonged in the case due to its lack

of standing to sue on the patents. Respondents also renewed their motion to dismiss petitioner for lack of standing.

In September 2002, petitioner and CTI amended the terms of a 1985 Servicing Agreement governing their rights in the two patents. Non-Conf. C.A. App. A60, A62. Pursuant to the amended Servicing Agreement, CTI's rights in the patents were terminated and CTI assigned to petitioner all rights it had under the original agreement to bring and maintain litigation for past infringement of the patents. *Id.* at A62. As a result, on petitioner's motion, CTI was dismissed as a party plaintiff on the patent infringement claims. The court denied respondents' motion to dismiss petitioner for lack of standing, and respondents amended their pleading to assert counterclaims 1-13 against petitioner. *Id.* at A63 n.7.

After securing its role in the litigation as the sole plaintiff, petitioner moved to dismiss counterclaims 6-13 on Eleventh Amendment immunity grounds and for failure to state a claim under Federal Rule of Civil Procedure 12(b)(6). Petitioner also moved to dismiss counterclaims 10-13 as barred by California state law privileges, and counterclaim 5 for failure to state a claim under Federal Circuit precedent. Petitioner filed a motion to strike only one of the affirmative defenses, which alleged inequitable conduct, and did not move to dismiss counterclaims 1-4.

While the motions were still under consideration, petitioner moved to stay the entire case on January 10, 2003, pending an intervening reexamination proceeding on the patents that petitioner had initiated in October 2002 in the United States Patent and Trademark Office (the "PTO"). On February 23, 2003, the district court denied petitioner's stay motion, finding that respondents would

be unfairly prejudiced by a stay after petitioner's claims already had cast a cloud over respondents for two years, the parties had already completed extensive discovery, and petitioner's reexamination request in the PTO was based on prior art references known to petitioner for many years.[3]

3. On February 10, 2003, the district court granted petitioner's motion to dismiss counterclaims 12 and 13 for failure to state a claim and petitioner's motion to strike respondents' affirmative defense of inequitable conduct. Pet. App. 84a, 92a. The court denied the remainder of petitioner's motions, including its motion to dismiss counterclaims 6-11 on Eleventh Amendment immunity grounds and under Rule 12(b)(6). Pet. App. 52a-53a, 66a, 68a, 73a, 81a.

In denying the immunity motion, the court found that, although petitioner is an "arm of the state," it had waived its immunity as to counterclaims 6-11.[4] Pet. App. 52a-53a. The court reasoned that, because counterclaims 6-11 are based on the same underlying factual allegations as at least respondents' unclean hands affirmative defense, a logical relationship exists among the various claims as pleaded. The court found that, therefore, petitioner had waived its immunity by filing suit because counterclaims 6-11 were compulsory to petitioner's patent infringement claims. *Ibid.*

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[3] Petitioner did not file its request for reexamination of the two patents until after nearly two years of litigation in the ITC and the district court on its patent infringement claims. On December 19, 2002, the PTO granted the request to initiate a reexamination and that proceeding remains pending.

[4] The court's immunity ruling extended to counterclaims 6-13. Respondents refer to counterclaims 6-11 because the court dismissed counterclaims 12 and 13 under Rule 12(b)(6).

In its February 10, 2003 decision on the motion to dismiss the counterclaims, the district court expressly declined to rule on an argument made by petitioner for the first time in its reply brief. In that brief, petitioner asserted that counterclaims 6-11 could not be compulsory by way of their relationship to respondents' unclean hands and patent misuse affirmative defenses because the facts alleged in support of the counterclaims could not, as a matter of law, constitute unclean hands or patent misuse. Pet. App. 53a n.15. The district court held that it was "improper to raise in reply a series of arguments that amount to an entirely new, unfiled motion." *Ibid.* Petitioner had not moved to dismiss either of those affirmative defenses that it now claimed were inadequate as a matter of law, despite its extensive motions on the merits of counterclaims 5-13 and the inequitable conduct affirmative defense, which was also based on the same factual allegations as counterclaims 5-13. In light of this litigation strategy pursued by petitioner, the court expressly noted that "it may be necessary to revisit the question of [petitioner's] waiver of Eleventh Amendment immunity," in anticipation of petitioner's later legal challenge to the unclean hands and patent misuse affirmative defenses on which the counterclaims relied for the compulsory status that waived the immunity. *Ibid.*; Tr. of Dec. 20, 2002 Hearing on Pet.'s Mot. to Dismiss, at 19-22.

Petitioner did not, however, pursue any further challenge to the patent misuse or unclean hands defenses. Rather, on March 11, 2003, petitioner filed a notice of appeal of the district court's denial of its motion to dismiss counterclaims 6-11 on Eleventh Amendment grounds and sought a stay of the entire case pending that appeal. On June 2, 2003, the district court granted a stay, but only as to counterclaims 6-11 and only as to petitioner; the court

denied the stay as to all other claims and counterclaims, including petitioner's patent infringement claims and counterclaims 6-11 as to CTI.

4. On June 30, 2004, the court of appeals dismissed petitioner's appeal for lack of jurisdiction on the grounds that the district court's Eleventh Amendment immunity ruling is not final under 28 U.S.C. §§ 1291, 1295(a)(1) and does not satisfy the collateral order doctrine set forth in *Cohen v. Beneficial Industries Loan Corp.*, 337 U.S. 541 (1949). Pet. App. 9a-13a. The court recognized that, "[t]o come within the 'small class' of . . . *Cohen*, the order must [1] conclusively determine the disputed question, [2] resolve an important issue completely separate from the merits of the action, and [3] be effectively unreviewable on appeal from a final judgment." *Id.* at 9a (quoting *Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 144 (1993); *Coopers & Lybrand v. Livesay*, 437 U.S. 463, 468 (1978)).

The court of appeals held that the order sought to be appealed here does not meet the first *Cohen* requirement because it did not conclusively determine whether respondents' counterclaims 6-11 are compulsory, and thus whether petitioner had waived its immunity as to those claims. The court of appeals emphasized that the district court had refused to address a substantial portion of petitioner's argument because "the argument was improperly raised in a reply brief" before the district court. Pet. App. 11a. It further pointed to the fact that the district court itself, "expressly noted that 'it may be necessary to revisit the question of [petitioner's] waiver of Eleventh Amendment immunity' if it were to determine 'that [respondents'] affirmative defenses are not supported by the evidence or

are otherwise insufficient as a matter of law.'" *Ibid.* (quoting district court order, Pet. App. 53a n.15). The court of appeals also noted that its consideration of the waiver issue "at this stage of the proceeding would be particularly inappropriate because the issues remaining for the district court to decide – the propriety of the affirmative defenses – are themselves intimately bound up with the merits." Pet. App. 13a.

The court of appeals denied rehearing without dissent on January 3, 2005. Pet. App. 15a-18a. The court expressly rejected petitioner's argument that the court's June 30, 2004 order is contrary to the Fifth Circuit's decision in *Sherwinski v. Peterson*, 98 F.3d 849 (1996), because in the instant case, the district court expressly left the matter open to reconsideration. Pet. App. 16a. The court also held that cases cited by petitioner did not suggest that "a tentative decision of the district court on immunity grounds, expressly subject to further consideration because of unresolved issues in the case, meets the first prong of the *Cohen* test." *Id.* at 17a.

5. Meanwhile, during the pendency of the instant appeal, litigation on petitioner's infringement claims proceeded in the district court. The district court issued an order on July 31, 2003, which construed key claim terms in respondents' favor and granted respondents' summary judgment motion for invalidity of the asserted claims of the '349 patent. On July 1, 2004, the district court entered summary judgment in favor of respondents on the '400 patent, finding that all asserted claims of the '400 patent were either invalid or not infringed. On September 20, 2004, on the parties' joint motion, the district court issued an order entering final judgment against petitioner on its patent infringement claims pursuant to Federal Rule of

Civil Procedure 54(b). The district court stayed the rest of the case. On October 18, 2004, petitioner filed a notice of appeal from that judgment disposing of its patent infringement claims, and that appeal remains pending in the Federal Circuit. Petitioner filed its opening brief in that appeal on June 24, 2005 and respondents' brief currently is due on September 7, 2005.

SUMMARY OF ARGUMENT

The Federal Circuit's ruling below addresses an unusual set of circumstances that do not merit further review and that court correctly resolved the case by applying the collateral order doctrine set forth in *Cohen v. Beneficial Industries Loan Corp.*, 337 U.S. 541 (1949).

A. There is no division in the lower courts on the issue presented. The only case cited by petitioner to support its claimed conflict, *Sherwinski v. Peterson*, 98 F.3d 849 (5th Cir. 1996), bears little similarity to this case. In that case, the district court had categorically refused to rule on the party's immunity claim until further development of the case. By contrast, the provisional nature of the district court's order in the instant case on the question of Eleventh Amendment immunity against certain counterclaims was due to petitioner's strategic decisions about when to raise certain legal arguments and its stated intention to seek to present additional legal challenges relevant to the scope of its conceded waiver of immunity at a subsequent time. Tr. of Dec. 20, 2002 Hearing on Pet.'s Motion to Dismiss, at 19-22.

This case also constitutes a poor vehicle for addressing any more broadly applicable issue regarding interlocutory appeals. The court of appeals' opinion may not have any precedential effect because it is not clear whether the

Federal Circuit's decision reflected that court's own interpretation of appellate jurisdiction or whether the decision was that court's best prediction of what the regional court of appeals would have done, as is that court's common approach on issues not within its exclusive jurisdiction.

Also, the question of the appealability of the district court order finding that petitioner's Eleventh Amendment immunity waiver extended to more of the counterclaims than petitioner conceded does not implicate, to the same extent as the typical immunity case, a state entity's Eleventh Amendment right not to be involuntarily haled into federal court. Petitioner invoked the jurisdiction of the federal court as the plaintiff in the action. It then took the unusual further step, well after the suit had commenced and after the challenged counterclaims already were pending against its then co-plaintiff, of amending its agreement with that private co-plaintiff regarding their rights in the patents at issue, so that petitioner voluntarily became the sole plaintiff in the lawsuit, leading to petitioner being added to the challenged counterclaims. Petitioner's separate pending appeal of the district court's judgment on the merits of the patent claims also significantly diminishes the importance of any claimed immunity from litigation on the counterclaims because the result of that appeal may affect the status of the rest of the case, including the counterclaims.

B. The Federal Circuit correctly held that the district court order in this case does not meet the first requirement for taking an appeal of a collateral order under *Cohen* – that the order sought to be appealed conclusively determine the scope of petitioner's waiver of immunity. That is so because of the district court's express statement that further consideration of the immunity issue may be necessary in anticipation of petitioner's later legal challenges

relevant to the scope of its waiver of immunity. In addition, the second *Cohen* requirement – that the issue be separate from the merits – is likely not met here because the issue necessary to determine the scope of the waiver involves the propriety of certain affirmative defenses which the court found "are themselves intimately bound up with the merits." Pet. App. 13a. The order also does not necessarily meet the third *Cohen* requirement that the order be effectively unreviewable on appeal from the final judgment, which the court of appeals did not reach. This case does not present the question of immunity against suit, which is unreviewable on appeal after the party already has been subjected to the very suit challenged. Rather it presents a much narrower claim of immunity against certain of the counterclaims, the facts of which would need to be developed, discovered, and litigated in relation to other aspects of the litigation to which petitioner concededly has waived its immunity.

REASONS WHY THE PETITION SHOULD BE DENIED

A. The Federal Circuit's Purported Disagreement With One Other Court Of Appeals' Ruling In A Dissimilar Case Does Not Warrant Review

1. The Single Circuit Case Cited By Petitioner As A Purported Conflict Bears Little Similarity To This Case And Provides No Cause For Further Review

There is no division in the lower courts on the issue presented in this case. Petitioner cites only the Fifth Circuit's decision in *Sherwinski v. Peterson*, 98 F.3d 849 (1996), to argue that there is a conflict among the courts of appeals warranting this Court's review on whether appellate

jurisdiction exists when a district court's order declining to grant a motion to dismiss on Eleventh Amendment immunity grounds is provisional. Pet. 10-14. But *Sherwinski* involved a very different scenario from the instant case. This single, inapposite case does not give rise to a conflict meriting this Court's review. Also, contrary to petitioner's repeated claim (Pet. 9, 14), the decision below is not the first appellate decision to find that a State has failed to meet one of the requirements for taking an interlocutory appeal since *Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139 (1993). *See* pages 27-28, *infra*.

In *Sherwinski*, the district court summarily refused to consider an immunity motion by a state defendant sued by a prisoner for violations of state law. In its order denying the motion, the district court categorically stated that, "'until the factual and legal basis of the case has been further developed, no defendants will be dismissed.'" *Id.* at 851. The court of appeals exercised appellate jurisdiction to review that order under the collateral order doctrine even though the district court's order did not "deny the Department's motion to dismiss based on an express finding of no immunity." *Ibid.* The court of appeals reasoned that its review of the appeal furthered the purposes of "prevent[ing] the indignity of subjecting a State to the coercive process of judicial tribunals at the instance of private parties" and of resolving immunity issues by the time motion practice is completed in a case. *Ibid.* (quoting *Puerto Rico Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. at 146).

Petitioner errs in suggesting that the district court's ruling in this case is identical to the order in *Sherwinski*, and that the Federal Circuit's holding, is thus in conflict with that decision. Neither of the reasons articulated in

Sherwinski for granting interlocutory review of the order in that case has any applicability to this case.

Petitioner is not necessarily deprived of the opportunity to have the immunity issue resolved before motion practice is completed in the case. In *Sherwinski*, the provisional nature of the ruling stemmed only from the district court's categorical declaration that it would not entertain any motions to dismiss until the case was further developed. Petitioner ignores the very different circumstances of this case where petitioner, itself, had within its control the possibility to take further action to challenge certain affirmative defenses directly linked to the immunity ruling, which could have led to the district court making conclusive its immunity ruling. Indeed, the district court's ruling was provisional because of petitioner's failure to raise its legal argument in a timely manner or to challenge the related defenses later in a proper procedural manner, as petitioner indicated it would seek to do Tr. of Dec. 20, 2002 Hearing on Pet.'s Mot. to Dismiss, at 19-23.

The district court's finding that petitioner had waived its immunity as to respondents' counterclaims 6-11 was based on its determination that these counterclaims are compulsory to petitioner's own affirmative claims. The court reasoned that, because counterclaims 6-11 are based on the same underlying factual allegations as some of respondents' affirmative defenses, the counterclaims are logically related, and therefore compulsory, to petitioner's claims.

The district court expressly made that ruling provisional, however, because petitioner belatedly had raised in its reply brief an argument that counterclaims 6-11 could not be compulsory based on their relationship to the unclean hands and patent misuse affirmative defenses

because, in petitioner's view, the facts alleged in support of the counterclaims could not, as a matter of law, constitute patent misuse or unclean hands. Due to the lateness of the argument, the district court declined to address it, ruling that "[i]t is improper to raise in reply a series of arguments that amount to an entirely new, unfiled motion." Pet. App. 53a n.15. The court noted, however, that if the court subsequently determined that the affirmative defenses were legally insufficient, then "it may be necessary to revisit the question of [petitioner's] waiver of Eleventh Amendment immunity." *Ibid.*

It is evident that petitioner's own litigation strategy led to the peculiar procedural posture of this case and the lack of an order finally resolving the immunity question when one considers what would have happened had petitioner timely raised its arguments. If the district court had addressed and rejected petitioner's argument and held that the allegations underlying respondents' counterclaims could give rise to patent misuse and/or unclean hands as a matter of law, its determination that the counterclaims are compulsory and that petitioner had waived its immunity as to those counterclaims would have been a conclusive decision. On the other hand, if the district court had addressed and accepted petitioner's argument and held that respondents' alleged facts could not constitute patent misuse and/or unclean hands, the district court would have reached the issue of whether counterclaims 6-11 were compulsory without regard to their relationship to those affirmative defenses, thereby conclusively resolving the immunity question. In either circumstance, the order would have met the first prong of the *Cohen* standard requiring that the issue be conclusively determined in the order sought to be appealed, which the Federal Circuit concluded it did not do in this case.

Petitioner abandoned any effort to obtain a conclusive ruling in the district court on either the affirmative defenses or immunity. It chose, instead, to attempt an immediate interlocutory appeal on its constitutional claim. That litigation strategy prevented the district court from fully analyzing the constitutional issue based on a proper challenge to the legal sufficiency of the affirmative defenses. Petitioner's failure to properly challenge the affirmative defenses in the district court also deprived respondents of an adequate opportunity to respond and prevented the development of a full record for the court of appeals to review.

Petitioner's strategy should not be rewarded by the grant of an immediate interlocutory appeal, allowing petitioner to bypass the district court's primary role in applying facts to law. *Cf. Johnson v. Jones*, 515 U.S. 304, 309 (1995) (noting that interlocutory appeals are the exception because "too many interlocutory appeals can cause harm" and "make it difficult for trial judges to do their basic jobs – supervising trial proceedings"). That principle is particularly applicable here, where the constitutional issue pursued on interlocutory appeal is one that might have been avoided if the district court had been properly presented with petitioner's nonconstitutional arguments regarding the sufficiency of the affirmative defenses and their relationship to the counterclaims. *Cf. Ashwander v. TVA*, 297 U.S. 288, 345-48 (1936) (Brandeis, J., concurring). The court of appeals should not be required to decide an issue in that manner when petitioner had it within its power to properly preserve and present the issue to the district court.

Petitioner's failure to timely raise an argument that led to the district court's provisional ruling in anticipation

of a further proper argument by petitioner certainly raises very different issues than does a more typical case such as *Sherwinski*. This case also is distinct from *Sherwinski* because the practical consequences that follow from the denial of an immediate appeal of the provisional order are not significant in that it does not mean that the state entity is subject to federal court litigation that it otherwise would avoid. The state entity itself invoked the jurisdiction of the federal court and the proceedings on all of the related claims and counterclaims are properly in federal court. *See* pages 26-29, *infra*. Those types of considerations were not at issue in *Sherwinski* and thus do not indicate a disagreement among the circuits in similarly situated cases.

2. The Federal Circuit Decision May Not Constitute Binding Precedent In Any Later Case Because It Is Unclear Whether The Court Was Applying Its Own Law Or Its Prediction Of Regional Circuit Law

The Federal Circuit's unique nationwide appellate jurisdiction over cases that arise under federal patent law has led that court to distinguish between its rulings on patent issues – for which it establishes a single, uniform nationwide rule – and other legal issues – where it follows the rule of the regional circuit court of appeals that would have had jurisdiction over the case as a nonpatent matter. *See, e.g., Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1359-60 (Fed. Cir. 1999) (en banc in relevant part); *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1440 (Fed. Cir. 1984) (en banc). In the former instance, its ruling is binding Federal Circuit precedent that governs future Federal Circuit panels and district courts adjudicating cases arising under patent law, but in the

latter instance, its ruling is merely a prediction of what the regional circuit would do under the same circumstances, and thus is likely treated only as advisory by the regional circuit court of appeals.

The Federal Circuit in the instant case did not indicate whether it was treating the question of the finality of the district court's order for appealability purposes as a question of Federal Circuit law or regional circuit law, which in this case would be that of the Ninth Circuit.[5] Petitioner suggests (Pet. 9) that the decision below represents the law of the Federal Circuit on the issue presented, but that is far from clear.

Under Federal Circuit case law, it appears that the Federal Circuit may have been obligated to apply Ninth Circuit case law to the issue of whether a provisional denial of sovereign immunity constitutes a "final decision" and thus is appealable under the collateral order doctrine. That is because the Federal Circuit has held that regional circuit law governs the determination of the finality of an order. *See Phonometrics, Inc. v. Hospitality Franchise Sys., Inc.*, 203 F.3d 790, 793 (Fed. Cir. 2000) ("this court applies the law of the regional circuit" when "the finality of the dismissal" in a case "is a procedural issue not related to patent law;" applying regional circuit law in determining that a dismissal of a complaint with leave to amend is an appealable final judgment); *CAE Screenplates Inc. v. Heinrich Fiedler GmbH & Co., KG*, 224 F.3d 1308, 1315

[5] The parties did not address the choice of law question in their briefs because the court of appeals raised the finality issue *sua sponte* at oral argument. Although petitioner sought panel rehearing, it did not address the question of the applicable law in its petition for rehearing.

(Fed. Cir. 2000) (applying regional circuit law in determining whether party's concession was sufficient to convert partial summary judgment into final judgment; because "this is a procedural issue within the jurisdiction of the regional circuit, * * * we defer to the law of that court"); *Golan v. Pingel Enters., Inc.*, 310 F.3d 1360, 1366 n.3 (Fed. Cir. 2002) ("This court applies the law of the pertinent regional circuit * * * to determine whether the district court's entry [of judgment] was final relative to all pending issues.").

Looking to Ninth Circuit law in reaching its decision in this case, the Federal Circuit would have had to have predicted, as best it could, what the Ninth Circuit would do in the unique situation presented because the Ninth Circuit has not addressed the precise jurisdictional question raised here.[6] *See Bowling v. Hasbro, Inc.*, 403 F.3d

[6] Petitioner did not rely on any controlling Ninth Circuit authority in its rehearing petition or its *certiorari* petition and certainly has not identified any Ninth Circuit case that resolved the question at issue in a manner that is contrary to the binding precedent of any other circuit. In its *certiorari* petition, petitioner cites Ninth Circuit cases regarding only the general proposition that a conclusive denial of a State's claim of Eleventh Amendment immunity against suit can be immediately appealed under the collateral order doctrine, and nothing regarding the appealability of a provisional finding of a waiver of immunity. *See, e.g.*, Pet. 8, 17. For instance, petitioner cites (Pet. 8) *Montana v. Goldin*, 394 F.3d 1189 (9th Cir. 2005), which did not involve a provisional decision on the State's waiver of immunity. In that case, a State was sued by a private party in federal court on a variety of claims and the State moved to dismiss the entire complaint on the grounds of immunity. *Id.* at 1192-1193. After the district court conclusively denied the motion to dismiss the suit, the State filed an immediate appeal and the Ninth Circuit addressed the immunity question while noting that the district court's order was "immediately appealable under the 'collateral order doctrine.'" *Id.* at 1193. Petitioner also cites a Ninth Circuit case in its argument about the scope of its conceded waiver of immunity over compulsory counterclaims (Pet. 17) (citing *In re Lazar*, 237 F.3d 967

(Continued on following page)

1373, 1376 (Fed. Cir. 2005) ("Where the regional circuit has not directly addressed an issue, 'we must reasonably predict how the court would decide the issue.' ").

If that is what occurred, then the decision below is particularly unworthy of this Court's review because the holding will have no precedential value if the Ninth Circuit subsequently disagrees with the Federal Circuit decision when faced with a similar issue. For where an issue does not arise under patent law – as the appealability of a provisional decision concerning sovereign immunity does not – the regional circuit is not bound by a Federal Circuit ruling that is contrary to that regional circuit court's own interpretation of its circuit's law. Likewise, the Federal Circuit's holding in this case would not apply *a fortiori* to Federal Circuit cases arising from other regional circuits.

Whether it is appropriate to view the Federal Circuit's ruling as simply its best prediction of how the Ninth Circuit would address the issue is unclear, however. Other decisions suggest that the Federal Circuit may choose not to apply regional case law when presented with a question of appellate jurisdiction. *See, e.g.*, *Woodard v. Sage Prods., Inc.*, 818 F.2d 841, 844 (Fed. Cir. 1987) (en banc) ("issues of our own appellate jurisdiction" are governed by Federal Circuit case law, not "the law as interpreted by the circuit in which the district court is located").

It may be that the Federal Circuit followed a middle course, as suggested by other Federal Circuit case law, and treated the Ninth Circuit cases as persuasive, but not

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(9th Cir. 2001)), but that issue is not presented by the petition, which involves only a question of appealability.

binding, authority.[7] If the Federal Circuit adopted that approach in this case, then it might reach a different result when addressing any similar appeals arising from other regional circuits by taking guidance from that circuit's case law.

The inability to ascertain the source of the law underlying the Federal Circuit's ruling and to determine the precedential weight or applicability of that ruling in future cases counsel against the Court's further review of the case.

3. This Case Is Not Typical Of Cases Posing Issues Of Immunity And Interlocutory Appeal Because The State Voluntarily Invoked The Jurisdiction Of The Federal Court

Review of this case also is not warranted because of the limited reach of the question presented due to the unusual circumstances of the case. This case does not present the typical Eleventh Amendment immunity defense because, here, the state entity has asserted immunity against suit in federal court in a suit that the state entity, itself, brought in federal court. Petitioner invoked the jurisdiction of the federal courts when it filed this suit against respondents, who then raised appropriate affirmative defenses and filed relevant counterclaims. Petitioner's subsequent attempt to dismiss some of those counterclaims on the ground of Eleventh Amendment immunity, based on its view that they are not compulsory

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[7] *See Kahn v. General Motors Corp.*, 889 F.2d 1078, 1080 n.3 (Fed. Cir. 1989) ("In matters of [appellate] jurisdictional consequence this court takes guidance from interpretations of the regional circuit in which the cause arose."); *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1339 (Fed. Cir. 1998) ("[D]ecisions of the [regional] circuit on [appellate] jurisdictional questions provide useful guidance.").

counterclaims and thus not included in the scope of the State's waiver, may raise interesting questions of law, but those questions are not at issue in this petition. All that is at issue here is the appealability of the district court's provisional order, where the provisional nature of the order resulted from petitioner's own litigation conduct.

As a result, the question of the appealability of the district court order does not implicate, to the same extent as the typical immunity case, a State's Eleventh Amendment right not to be involuntarily haled into federal court. Indeed, not only did petitioner voluntarily submit to the jurisdiction of the federal court, petitioner took the unusual further step, long after the suit had commenced and after the challenged counterclaims already had been asserted against its then co-plaintiff CTI but not against petitioner, of amending its agreement with CTI so that petitioner became the sole plaintiff in the lawsuit. It was only after petitioner took these intentional, affirmative steps that respondents amended their counterclaims to assert them against petitioner.

Petitioner does not dispute that, by filing this lawsuit, it waived its immunity to respondents' compulsory counterclaims. Nor does it claim immunity from the burdens of this litigation. Petitioner seeks to avoid only whatever incremental additional burdens there may be of litigating certain of the counterclaims that the district court determined are "based on the same 'transaction or occurrence' as the plaintiff's causes of action *and* the affirmative defenses asserted in the action." Pet. App. 52a.

The cases cited by petitioner involving the collateral order doctrine do not deal with this unusual situation. This case thus presents a poor vehicle for deciding any broader ranging issue as to the proper application of the

collateral order doctrine in cases involving provisional rulings on waivers of Eleventh Amendment immunity.

4. Petitioner's Separate Pending Appeal Of The Dismissal Of Its Patent Claims Significantly Diminishes The Importance Of Any Claimed Immunity From Litigation On The Counterclaims

Petitioner's underlying patent infringement claims are the subject of petitioner's separate appeal currently pending in the Federal Circuit seeking to overturn the district court's judgment that the patents are invalid and/or not infringed. The district court stayed the remainder of the case pending resolution of that appeal. Pet. 4 n.3. Thus, the only active litigation that petitioner currently faces is in that appeal and the instant appeal; it will not face any litigation even of respondents' concededly compulsory counterclaims on which immunity was admittedly waived, until the Federal Circuit issues its decision and the case returns to the district court.

Whatever result the Federal Circuit reaches in that appeal may well affect the disposition of petitioner's effort to claim Eleventh Amendment immunity because any resolution of the scope of petitioner's immunity waiver hinges on the relationship between counterclaims 6-11 and the remainder of the case. This issue will be more appropriately resolved if and when petitioner's separate Federal Circuit appeal is resolved and the landscape of the litigation is known.

Indeed, if the Federal Circuit upholds the district court's determination that petitioner's patents are invalid and/or not infringed, and no other patent claims remain in

the case, the district court would have discretion to dismiss all the counterclaims because the district court exercised subject-matter jurisdiction over the counterclaims as to petitioner pursuant to the supplemental jurisdiction statute, 28 U.S.C. § 1367(a). Pet. App. 57a-59a. Section 1367 provides that a district court has discretion to decline to exercise supplemental jurisdiction if "the district court has dismissed all claims over which it has original jurisdiction." 28 U.S.C. § 1367(c)(3).

The fate of petitioner's patent infringement claims is further complicated by the fact that the PTO reexamination proceeding is currently pending on the two patents at issue and may affect the status of the claims. Like petitioner's pending Federal Circuit appeal on its patent claims, the PTO proceeding could yield a result that significantly alters the landscape of the litigation.

Thus, the collateral proceedings surrounding this case make this case a problematic vehicle in which to address the appellate jurisdiction issue raised by petitioner.

B. The Federal Circuit Correctly Dismissed The Appeal For Failure To Meet The First Requirement Of The *Cohen* Collateral Order Doctrine And The Other *Cohen* Requirements Provide Further Support For That Dismissal

The court of appeals recognized that, in order for an interlocutory order such as the one at issue here to be appealable under the collateral order doctrine set forth in *Cohen v. Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949), the order must "'[1] conclusively determine the disputed question, [2] resolve an important issue completely separate from the merits of the action, and [3] be

effectively unreviewable on appeal from a final judgment.'" Pet. App. 9a (quoting *Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. at 144; *Coopers & Lybrand v. Livesay*, 437 U.S. 463, 468 (1978)).

The court of appeals correctly held that the order in this case does not meet the first requirement because it did not conclusively determine the issue of petitioner's waiver of immunity. The court of appeals also noted a fact that suggests that the second requirement is not met here because the issue necessary to determine the scope of the waiver involves the propriety of the affirmative defenses which "are themselves intimately bound up with the merits." Pet. App. 13a. Finally, the order does not necessarily meet the third requirement of *Cohen*, which the court of appeals did not reach, because this case does not present a typical question of immunity against suit which is unreviewable on appeal after the party has been subjected to the very suit challenged, but rather a much more limited immunity against certain of the counterclaims, the facts of which are going to be developed, discovered, and litigated in relation to other aspects of the litigation to which no immunity applies.

1. In holding that certain denials of immunity are immediately appealable under *Cohen*, this Court held that the party claiming the immunity could appeal the claim because "[there] are simply no further steps that can be taken in the District Court to avoid the trial the defendant maintains is barred." *Mitchell v. Forsyth*, 472 U.S. 511, 527 (1985) (quoting *Abney v. United States*, 431 U.S. 651, 659 (1977)). In other words, where a party claiming immunity has already done everything within its power to prevent litigation from moving forward, "*Cohen*'s threshold

requirement of a fully consummated decision is satisfied." *Ibid.*

Petitioner did not take all the available steps to vindicate its claimed right to immunity from suit before seeking an interlocutory appeal in this case. Because of that, the district court was able to make only a provisional determination as to the compulsory counterclaim issue given the claims and defenses in the case at the time. The district court stood poised "to revisit the question of [petitioner's] waiver of Eleventh Amendment immunity" if and when petitioner properly challenged the relevant affirmative defenses. Pet. App. 53a n.15. Accordingly, petitioner's own failed litigation strategies at the motion to dismiss stage forced the district court to enter only a provisional order and precluded it from conclusively deciding the question.[8]

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[8] Thus, petitioner's contention that the Federal Circuit's decision "presents an exception that threatens to instantly swallow the rule" of interlocutory appeal is inapposite. Pet. 15. Petitioner cites *Moses H. Cone Memorial Hospital v. Mercury Construction Corp.*, 460 U.S. 1, 12 (1983), in support of the proposition that all interlocutory orders are inherently provisional. Petitioner ignores that the Court in that case expressly distinguished between orders that are provisional "only in the technical sense that every order short of a final decree is subject to reopening at the discretion of the district judge," and an order that is truly provisional because "some revision might be reasonably expected in the ordinary course of the litigation." *Id.* at n.14. Unlike *Moses H. Cone*, in which the Court found that the district court had provided no basis to reasonably expect that it planned to reconsider its decision, the district court here expressly indicated that it could be necessary to revisit petitioner's immunity claim in light of an anticipated further legal challenge by petitioner.

Through its interlocutory appeal, petitioner seeks to sidestep its strategic decision. Petitioner asked to have the Federal Circuit address the very issue that it failed to properly raise in the district court, namely, that respondents' counterclaims 6-11 could not be compulsory via their relatedness to petitioners' affirmative defenses because the facts alleged by respondents could not constitute patent misuse and unclean hands as a matter of federal patent law. *See* Pet. C.A. Br. 29. Such an appellate ruling would have the result of effectively striking respondents' affirmative defenses of patent misuse and unclean hands from the case, even though petitioner did not properly challenge, and respondents did not have the opportunity to defend, those defenses in the district court. That is precisely the type of argument that is *not* appropriate for interlocutory appeal. *Cf. Johnson v. Jones*, 515 U.S. 304, 314, 318 (1995) (interlocutory appeals generally available for denials of motions to dismiss on grounds of qualified immunity are not available for "fact-related legal issues that likely underlie the plaintiff's claim on the merits" because "[i]mmunity appeals . . . interfere less with the final judgment rule if they [are] limited to cases presenting neat abstract issues of law.").

2. The court of appeals strongly suggested that the order at issue also does not meet the second requirement of *Cohen* that the order "resolve an important issue completely separate from the merits of the action." *Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. at 144 (quoting *Coopers & Lybrand v. Livesay*, 437 U.S. 463, 468 (1978)). The Federal Circuit expressly stated that "considering the issue of waiver at this stage of the proceeding would be particularly inappropriate because the issues remaining for the district court to decide – the

propriety of the affirmative defenses – are themselves intimately bound up with the merits." Pet. App. 13a. The parties also agreed below that, based on governing circuit law, the resolution of petitioner's waiver of immunity hinges on whether counterclaims 6-11 are compulsory to petitioner's patent infringement claims. Pet. C.A. Br. 22-23. That, in turn, requires an analysis of the relatedness of the various claims in the case. *Ibid.*

That determination by the court of appeals regarding the interrelatedness of the waiver issue and the legal sufficiency of the affirmative defenses is critical in weighing the appropriateness of an immediate appeal. In *Johnson*, 515 U.S. at 315-16, this Court relied on a similar determination in holding that no interlocutory appeal was available from the fact-based denial of a qualified immunity defense.

3. Finally, the order petitioner seeks to appeal does not necessarily meet the third requirement of *Cohen* (which the court of appeals did not reach) because this case does not present a typical question of immunity against suit which is "unreviewable on appeal" after the party has been subjected to the very suit challenged. Rather, this case involves a much narrower issue of whatever incremental additional burden is placed on a litigant by certain counterclaims, the facts of which are going to be developed, discovered, and litigated in any event, in relation to other aspects of the litigation to which no immunity applies.

As discussed above, *see* pages 19-21, unlike the typical context in which a State invokes the Eleventh Amendment after being involuntarily haled into federal court, petitioner concededly waived its entitlement to immunity against litigating a suit in federal court by voluntarily

invoking federal jurisdiction in bringing this suit. *See Lapides v. Board of Regents of Univ. Sys. of Georgia*, 535 U.S. 613, 619 (2002) ("a State's voluntary appearance in federal court amounted to a waiver of its Eleventh Amendment immunity"). Thus the critical need for an immediate appeal to avoid a State having to litigate a case in federal court does not exist in this type of case.

Petitioner's appeal, even if successful, will not protect it from any indignity that it would otherwise have suffered by being haled into federal court because it is not being haled into federal court; petitioner itself invoked the jurisdiction of the federal courts. Indeed, by modifying its agreement with its then co-plaintiff, a private party, after the suit had been initiated, petitioner took the unusual step of voluntarily taking on more of the burden of the federal court litigation by becoming the sole plaintiff. Petitioner suffers no harm by being forced to litigate in federal court, because it chose the forum.

Petitioner's argument is about only the scope of its waiver because petitioner concedes that it has waived immunity to the other counterclaims that it acknowledges are compulsory. There is no compelling reason to permit an immediate appeal to address the scope of the waiver of a party's immunity from suit once the waiver's existence has been established. The courts of appeals are in accord on this point. "Once the defendants concede that the litigation is proper, they undermine any claim of entitlement to an interlocutory appeal." *Mercer v. Magnant*, 40 F.3d 893, 896-97 (7th Cir. 1994) (Easterbrook, J.); *see Espinal-Dominguez v. Puerto Rico*, 352 F.3d 490, 497 (1st Cir. 2003) (State is not entitled to interlocutory appeal when "the State interposes the Eleventh Amendment not as the basis for an immunity from suit, but, rather, as a

defense to one of several remedies sought by a particular plaintiff" because "[t]here is a critical difference between avoiding trial, on the one hand, and limiting exposure to liability, on the other hand."); *Burns-Vidlak* v. *Chandler*, 165 F.3d 1257, 1260 (9th Cir. 1999) (when State sought immediate appeal of denial of immunity against punitive damages, but admitted it could be sued for compensatory damages, "the State has failed to satisfy the third criterion of the *Cohen* test, rendering the district court's order denying the State's motion for partial summary judgment an unappealable collateral order").

Moreover, the incremental additional burden of defending against certain counterclaims in this case does not rise to the level of the right not to be haled unwillingly into federal court because those counterclaims involve the same facts and discovery that would be required to litigate the affirmative defenses. An immediate appeal will not shield petitioner from significant additional discovery burdens, assuming that burden alone could ever justify an immediate appeal. The affirmative defenses of patent misuse and unclean hands and counterclaim 5 for patent misuse, unchallenged by petitioner on immunity grounds, would require development through discovery of the same facts that are involved in the challenged counterclaims. Petitioner's effort to appeal that issue now on an interlocutory basis will do little to affect the scope of the litigation to which it concededly is subject, as a party, in district court. Therefore, petitioner errs in relying on *Behrens v. Pelletier*, 516 U.S. 299 (1996) (*see* Pet. 15-16) because that case focused on the need for an interlocutory appeal to avoid a party being subject to the burden of discovery when a successful interlocutory appeal would have completely removed the party from the case, and thus from all

discovery. *See Espinal-Dominguez*, 352 F.3d at 498 ("a successful *Behrens* appeal completely protects the individual from litigating on his or her own behalf; it does not function merely to eliminate certain remedies from the case whilst leaving the identities of the litigants intact").

Thus, in this type of case, an appeal on the question of immunity against certain of the counterclaims, even if presented as part of an appeal from the final judgment, would address adequately the concerns of petitioner that it is immune from liability on any counterclaims that are not adequately related to petitioners' own claims. At the same time, it would vindicate the strong federal interest in avoiding piecemeal litigation. *See Catlin v. United States*, 324 U.S. 229, 233-34 (1945) ("The foundation of this policy is not in merely technical conceptions of 'finality.' It is one against piecemeal litigation."). "Permitting piecemeal appeals would undermine the independence of the district judge, as well as the special role that individual plays in our judicial system. In addition, the [finality] rule is in accordance with the sensible policy of avoiding the obstruction to just claims that would come from permitting the harassment and cost of a succession of separate appeals from the various rulings to which a litigation may give rise, from its initiation to entry of judgment." *Van Cauwenberghe v. Biard,* 486 U.S. 517, 521-22 n.3 (1988) (quotations omitted).

CONCLUSION

For the reasons set forth above, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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No. 04-1346

IN THE

Supreme Court of the United States

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS,
Petitioner,

v.

FUJITSU LIMITED AND FUJITSU HITACHI
PLASMA DISPLAY LIMITED,
Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

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INTRODUCTION

A State's entitlement to an interlocutory appeal under *Puerto Rico Aqueduct & Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139 (1993) is a right designed to safeguard the dignity of the States in the federal system. This petition presents the issue of whether a State loses that right when a district court expresses a willingness to revisit its sovereign immunity decision later. The Fifth Circuit in *Sherwinski v. Peterson*, 98 F.3d 849 (5th Cir. 1996) answered this question "No" but the Federal Circuit answered "Yes."

Fujitsu attempts to turn this legal conflict into a narrow factual issue, primarily by arguing that the University's strategic choices prevented the district court from ruling definitively on the merits. A review of the published opinions below dispels Fujitsu's argument.

The district court considered and resolved the merits of the sovereign immunity issue. Its opinion spends three pages on legal standards, nine pages on whether the University is an arm of the State, and ten pages on whether the University has waived sovereign immunity. App. 31a-53a. The court identified as the "axis of the dispute" the question of whether or not Fujitsu's affirmative defenses were relevant to the University's sovereign immunity waiver, noted at the hearing that this was a close and undecided issue, and determined (erroneously, in the University's view) that these defenses were relevant and that the University had therefore waived its Eleventh Amendment sovereign immunity. App. 43a-53a.

The district court expressed a willingness to revisit the issue "at a later stage" after determining whether the defenses were factually and legally supported. App. 53a n.15. This statement, which flowed from the logic of the court's decision, is indistinguishable from the willingness of the district court in *Sherwinski* to revisit the immunity issue after "the factual and legal basis of the case has been further developed." *Sherwinski*, 98 F.3d at 851. Fujitsu's attempt to fault the University for not seeking to resolve the affirmative

defenses on the merits prior to appeal ignores that the "axis of the dispute" was whether these affirmative defenses are relevant at all.

Fujitsu's other arguments are also meritless. There is no actual uncertainty about whether the Federal Circuit was applying Federal Circuit or regional circuit law: overwhelming case law, including an *en banc* Federal Circuit decision, establishes that Federal Circuit law applies. Fujitsu is also wrong to disparage the importance of Eleventh Amendment sovereign immunity when the State files suit in federal court (as the University did to enforce its patent rights, which are subject to exclusive federal jurisdiction). A well-developed body of case law confirms the constitutional importance of dismissing claims that are insufficiently related to the State's federal lawsuit.

Because the Federal Circuit's decision does not merely introduce a procedural error into the law, but does violence to an important (and hitherto correctly-applied) rule designed to safeguard the place of States in our federal system, the Court should act to correct the Federal Circuit's error and resolve the conflict.

ARGUMENT

I. THE SPLIT OF AUTHORITY CANNOT BE TRANSFORMED INTO A NARROW, FACTUAL ISSUE

A. The District Court Denied The Sovereign Immunity Motion On The Merits

Fujitsu's primary argument is that the University's strategic choices prevented the district court from ruling definitively upon its sovereign immunity claim. Opp. at 5-6, 8, 10-15. The decisions below disprove this contention.

The University argued that it was inappropriate to consider affirmative defenses drafted by Fujitsu in determining the scope of the University's waiver—a determination that (the University contends) should focus only on the State's con-

duct. The district court called this issue "the axis of the dispute." App. 43a-44a. The district court noted that authorities relevant to this issue were "ambiguous" and "subject to either interpretation" and that it was "a reading of the tea leaves to figure out what the Federal Circuit will say when it gets this question." Tr. of December 20, 2002 Hearing at 29. The district court spent nine pages analyzing the issue on the merits. App. 45a-53a.

The court concluded that it should consider Fujitsu's affirmative defenses. App. 52a. Since Fujitsu referenced its counterclaims in the affirmative defenses, this was sufficient (in the district court's view) for a finding of waiver. App. 52a-53a. The district court therefore ruled that the University "has waived its Eleventh Amendment immunity as to Counterclaims Six through Thirteen." App. 53a.

Fujitsu's repeated description of the district court's ruling as "provisional" does not make it so. Nor did the district court state it might revisit the issue because of "strategic choices" of the University. Instead, the district court stated that its immunity determination could possibly change based on later developments in the lawsuit:

> The Court is also mindful that at this stage of the proceedings, it is impossible to know whether or not Fujitsu's affirmative defenses *will be supported by the evidence.* If the Court determines *at a later stage of this case* that Fujitsu's affirmative defenses are not supported by the evidence or are otherwise insufficient as a matter of law, it may be necessary to revisit the question of UI's waiver of Eleventh Amendment sovereign immunity. (App. 53a n.15, emphasis added.)

Fujitsu argues that the University should have made an effort to obtain a conclusive ruling on the affirmative defenses prior to taking an appeal. Opp. at 14. Even putting aside the University's argument that these affirmative defenses are altogether irrelevant, Fujitsu is really arguing that the University should have abandoned its right to appeal from

the district court order. The University was required to appeal within 30 days. Fed. R. App. Proc. 4(a)(1)(A). Any further discovery and motion practice in the Northern District of California would have taken far longer than that—indeed, the earliest a motion would be heard would be thirty-five days from filing. N.D. Cal. L.R. 7-2(a).

Further, the district court made clear that it would not dismiss the affirmative defenses at the pleading stage. The opinion stated that the University's "generalized objection on the pleading to the unclean hands defense lacks merit." App. 53a n.15. At the hearing, too—far from faulting the University for playing strategic games—the district court told the University that "the likelihood of your being able to strike any of these on the pleadings in such a way that will really narrow the focus is very unlikely . . . . I think that they are going to be able to plead through the unclean hands defense . . . I don't disagree with the way you have attacked this . . . ." Tr. of December 20, 2002 Hearing at 21.

The district court also opined that the University attacked the allegations of the affirmative defenses in its reply brief. The court's opinion stated explicitly that this was a "[s]econd," alternative reason as to why the district court would not dismiss—the court's first reason was on the merits. App. 53a n.15.

Whether Fujitsu's affirmative defenses will ultimately fail does not affect the question of whether it is proper to consider them when determining waiver. On appeal, the University continued to argue that the district court should not have considered the affirmative defenses at all in determining waiver. University's Opening Federal Circuit Brief at 4, 16-17, 32-37.[1] Yet the Federal Circuit declined to decide the issue

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[1] The University also argued that Fujitsu's defenses are insufficiently related to the counterclaims. The Federal Circuit construed this argument as an attack on the defenses' merits that the district court had "refused to address." (App. 10a-11a; *but see* App. 53a n.15 [district court addressed

because it dismissed the appeal. Because the opinions below are published, the fact that the district court substantively decided the sovereign immunity question, and that the Federal Circuit nevertheless dismissed the appeal, will not be lost on any court or litigant applying the Federal Circuit's new exception to *Puerto Rico Aqueduct*.

B. Fujitsu's Effort To Reconcile This Case With *Sherwinski* Is Unpersuasive

Fujitsu's attempt to reconcile *Sherwinski* and the current case is not credible. In fact, Fujitsu's argument would lead to topsy-turvy results on the issue of when a district court "conclusively determines the disputed question" so as to support appellate jurisdiction under *Cohen v. Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949). A view that both cases are good law would mean that a district court that expresses a willingness to revisit the issue of immunity after refusing to reach any substantive decision "conclusively determines" the question (*Sherwinski*) while a district court that expresses a willingness to revisit the issue after twenty-two pages of close legal reasoning deciding that the State waived sovereign immunity does not "conclusively determine" the question (the Federal Circuit here). The truth is far simpler. *Sherwinski* and the Federal Circuit decision conflict.

Fujitsu primarily attempts to distinguish the current case from *Sherwinski* by reference to the strategic choices of the University. As demonstrated above (*supra* pp. 2-5), Fujitsu's assertions on this subject are incorrect. Instead, the district court here (like the district court in *Sherwinski*) emphasized the uncertain nature of what would transpire as the case develops. Thus, the district court said that it is "mindful that at this stage of the proceedings" one could not tell whether

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sufficiency of unclean hands defense].) The Federal Circuit's treatment of the University's argument about lack of relation between Fujitsu's counterclaims and defenses does not justify the court's refusal to exercise appellate jurisdiction or address the separate, squarely-presented question of whether affirmative defenses should be considered at all.

the affirmative defense would be "supported by the evidence" and that it would consider the immunity question "at a later stage" if they are not "supported by the evidence" or are otherwise legally insufficient. App. 53a n.15. The Federal Circuit similarly relied on Fujitsu's statement about what would happen at the summary judgment stage, a motion involving factual evidence. App. 11a.

There is no analytical difference between the Texas district court expressing a willingness to revisit the issue after the "factual and legal basis has been further developed," *Sherwinski*, 98 F.3d at 851, and the California district court expressing a willingness to revisit the issue at a "later stage" if the affirmative defenses are not "supported by the evidence or are otherwise insufficient as a matter of law." App. 53a n.15. Appellate jurisdiction exists over both cases under *Puerto Rico Aqueduct*—an issue the Fifth Circuit decided correctly and that the Federal Circuit decided incorrectly.

C. Fujitsu's Other Arguments Fail

Fujitsu makes a number of other arguments attempting to portray this case as unworthy of review. All are meritless.

First, Fujitsu argues that the Federal Circuit's decision lacks precedential force because the Federal Circuit may have been following regional circuit precedent. Opp. at 15-19. Black letter law in the Federal Circuit holds to the contrary: an *en banc* panel and numerous recent cases hold that appellate jurisdiction is governed by Federal Circuit, not regional circuit, law. *Woodard v. Sage Prods., Inc.*, 818 F.2d 841, 844 (Fed. Cir. 1987) (*en banc*) ("While in some matters of procedural or substantive law this circuit has concluded that we will follow the law as interpreted by the circuit in which the district court is located, such deference is inappropriate on issues of our own appellate jurisdiction.") (citation omitted). *See also Pause Tech. LLC v. TiVo Inc.*, 401 F.3d 1290, 1292 (Fed. Cir. 2005) (applying "Federal Circuit law, not that of the regional circuit from which the case arose" when "obligated to consider whether there is a final judgment

of the district court, . . . or a basis for jurisdiction over an interlocutory order") (citation omitted); *H.R. Technologies, Inc. v. Astechnologies, Inc.*, 275 F.3d 1378, 1382 (Fed. Cir. 2002) ("[b]ecause the finality of the dismissal presents an issue of our jurisdiction, we apply our own law, not that of the regional circuit"); *State Contr. & Eng'g Corp. v. Florida*, 258 F.3d 1329, 1334 (Fed. Cir. 2001) ("[w]e have specifically held that Federal Circuit law applies to . . . appellate jurisdiction issues"); *Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1343 (Fed. Cir. 2001) (applying Federal Circuit law on whether an unquantified attorneys' fee award is final for purposes of appeal because "we apply our own law in determining our own jurisdiction"); *Enercon Indus. Corp. v. Pillar Corp.*, 105 F.3d 1437, 1439 n.2 (Fed. Cir. 1997) ("In determining whether we have jurisdiction, we apply our own law and not the law of the regional circuit."); *Spraytex, Inc. v. DJS&T*, 96 F.3d 1377, 1379 (Fed. Cir. 1996) ("Because this is an issue concerning our jurisdiction, we apply our own law and not the law of the regional circuit."); *Sanders Assocs., Inc. v. Summagraphics Corp.*, 2 F.3d 394, 395 (Fed. Cir. 1993) (following Federal Circuit law "because the appealability of the sanction order relates directly to the issue of our own jurisdiction").

The Federal Circuit applies its own law because it "has the duty to determine its jurisdiction and to satisfy itself that an appeal is properly before it." *Woodard*, 818 F.2d at 844. To the extent that the three cases cited by Fujitsu hold otherwise, they are contrary to settled authority. The notion that any court will view the Federal Circuit's decision here as "non-precedential" requires more subtlety and imagination than the case law warrants.

Second, Fujitsu denigrates the importance of applying the Eleventh Amendment because the University took steps to file and prosecute a patent infringement lawsuit in federal court. Opp. at 9, 19-21. Eleventh Amendment principles do not disappear where, as here, a State is required to file suit in

federal court. Federal courts must dismiss claims insufficiently related to the State's original action because the "Eleventh Amendment confirms that each state is a sovereign entity and that 'it is inherent in the nature of sovereignty not to be amenable to the suit of an individual without its consent.'" *In re Creative Goldsmiths of Washington, D.C., Inc.*, 119 F.3d 1140, 1144 (4th Cir. 1997) (quoting *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 54 (1996)). "[A]s to claims against the sovereign, the latter's submission to a court's jurisdiction, because of its suit, draws in only such adverse claims as have arisen out of the same transaction which gave rise to the sovereign's suit." *In re Monongahela Rye Liquors, Inc.*, 141 F.2d 864, 869 (3rd Cir. 1944).

Numerous cases dismiss on Eleventh Amendment grounds claims that are insufficiently related to the State's initial federal court action. *See, e.g., In re Pegasus Gold Corp.*, 394 F.3d 1189, 1196-97 (9th Cir. 2005) (dismissing debtor's claims against Montana filed in response to Montana's proof of claim); *Creative Goldsmiths*, 119 F.3d at 1149 (dismissing trustee's adversary action against Maryland filed in response to Maryland's proof of claim); *In re Department of Energy Stripper Well Exemption Litig.*, 763 F. Supp. 498, 502-03 (D. Kan. 1991) (dismissing cross-claim against New Mexico); *Woelffer v. Happy States of America, Inc.*, 626 F. Supp. 499, 503 (N.D. Ill. 1985) (dismissing counterclaim against Illinois agency); *Burgess v. M/V Tamano*, 382 F. Supp. 351, 356 (D. Maine 1974) (dismissing counterclaim against Maine). This rule is especially important where, as here, the State had no choice but to file in federal court because of exclusive federal jurisdiction, such as exclusive patent jurisdiction under 35 U.S.C. section 1338(a). *See, e.g., Ninth Avenue Remedial Group v. Allis-Chalmers Corp.*, 962 F. Supp. 131, 135 (N.D. Ind. 1997) (State does not waive all immunity because it was required to file CERCLA action in federal court). Proper application of the Eleventh Amendment is as important here as in any other case.